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Unclassified

INTELLIGENCE 23

# THE INDU[illegible]IZATION OF CUBA

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Interesting speech made by Mr. James D. Hedges, well known industrial and conductor of important enterprises, at the Rotary Club meeting held in Habana the 22 inst. [Jan. 53]

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Considering this to be of interest to our readers, we insert the following speech made by Mr. James D. Hedges, President of "Compania Rayonera Cubana, S.A.", and Vice-president of "Textilera Ariguanabo" at the lunch-meeting held by the Rotary Club of Habana the 22nd of January, 1953. The speech deals with the industrialization process of this country and the difficulties with which the ones interested in carrying it out, are confronted with. It reads as follows:

I wish to express my sincere gratitude to the Rotary Club of Habana who has honored me by inviting me to express before their members my opinions on the industrialization of Cuba during the present time.

As a Cuban, I am firmly convinced of the future of Cuba and am quite certain that with the endeavors of all Cubans, all difficulties that till now we, the ones interested in its industrialization, have been confronted with, will be solved, and that this beautiful island will take its place to which it is entitled to in the concert of the industrial nations of the world.

In the first palce we must not forget, not even for a moment that since many lustrums ago, Cuba, is supported by one of the most tremendous and basic industries of the world; no matter what measurement one wants to apply: inverted capital, number of persons employed, bond to the soil and farmers of Cuba by its agricultural aspects, and opportunities of work which offers in fields directly related with its harbor, transportation and workshop activities. There is no need to say in front of a Cuban audience that, I am referring to the sugar industry; therefore, the prominent personalities of this principal industry of Cuba, who like to name themselves as farmers (land-holders), are in reality the first industrial pioneers of Cuba and in consequence have a great moral responsibility for the people of Cuba not only in order to maintain its industry, but to contribute with their capital and their faith in Cuba, which has been generous to them, as well as with their personal endeavors on the diversification of the not yet developed aspects of its industry.

To establish and develop an industry in Cuba, as in any other country of the world, it can only be done by hard work, or to be more explicit, it can not be merely considered as a sport to the executors. Besides, adverse factors will be analyzed further later on, because beforehand such a big enterprise requires a series of studies and steps that can be enumerated as follows:

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I.- A Careful study of the following aspects:

a) Markets

b) National and foreign competition.

c) Existing protection against foreign sources already established, who enjoying devaluated monetary system or low salaries, could endanger the new industry.

d) General economic situation of the country at the present time and in the foreseeable future.

e) Present and near future political situations that might affect the economical development of the nation in general and of enterprises in particular.

f) Technical-specialized personnel that will be required for production.

g) Raw materials, fuel or propelling-power necessary for its possible sources.

h) Drainage and distribution.

i) Taxes and contributions that will burden the industry.

j) Labour legislation that will be applied in general and particulary to the new center of work.

k) Active regulations on prices and supplies that might affect the new industry.

e) Budget in detail of the cost of buildings, machinery, equipment and its installation.

m) Estimates and budgets on cost of production and probable profits.

n) Appropriate location of industrial center.

o) Financial necessities of inversion and capital towork with.

II.- Once the related studies are made it is necessary to make the following steps.

a) Procurement of funds or credits required for the investment and capital to work with.

b) Purchase, embarcation and installation of machinery and equipment with destination to the industrial unity.

c) Make necessary arrangements with raw materials, fuel or propelling-power suppliers.

d) Selection and employment of persons who will be in charge of the administration and sales activities of the enterprise and the office personnel in general.

e) Selection and employment of technicians and skilled labourers that might be required during the period of construction and installation as well as on the fabrile opeations.

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f) Training of all the necessary personnel for the operations.

g) Installation of an appropriate bookkeeping system that will allow one to know at all times the real situation of the enterprise and the fluctuations and tendencies in its cost and profits or losses. In connection with this last aspect it will be convenient to stress the point that with the development of a competent class of Cuban Public Accountants there is today in Cuba within the reach of every new entrepeneur the possibility to avoid the embarrasing spectacle for these having make decisions with or practical knowledge and to fail, for not having at their disposal sufficient elements in order to govern their businesses properly. No matter how much it is said, we can not sufficiently emphasize this point. As stated on the preceding paragraphs it is shown that it is not easy at all to esblish and develop an industry; let us now show that it is not cheap either.

A study of the necessary inversion for the creation of several fundamental industries during the last years in Cuba shows that is is necessary for the entrepreneur to invest about $15,000 for each labourer who works for his living in the industrial center. We estimate that this is very eloquent information, that deserves a special consideration, by the organized working class and the government authorities, since there is no human way to mobilize such amounts in valuable and significant quantitities for the progress of the future industrialization of Cuba, if an atmosphere of confidence is not restored for the investor.

I shall now review very briefly, since I want to get on with this talk about the limits of time which this Rotary Club of Habana maintains very opportunely as a norm, the principal difficulties that prevent in some cases and delay in some others the encouragement and enlargement of the industries of our beloved Cuba. I will indicate in some cases the measurements that in my modest opinion might contribute to diminish or eliminate in its whole such obstacles. I want to admit that upon indicating such remedies, I am not pointing out anything new, but merely recommending a logical treatment that in many countries has been applied sucessfully.

Erroneous concept that the enterprises must not obtain profits.- This concept is the result of a dangerous process of tactics of the unions and of the politicians whether consciously or unconsciously and imprudently during the last years. Its principal characteristic being to burden fiscally the enterprises and increase the salaries of their labourers while the minor possibility of profit may last even after the slightest vestige of profit is gone. It is not necessary for us to mention many of he the examples that abound on all your minds. One of the more flagrant cases of the last times was the one of "Autobuses Modernos" that having being able to contribute to give to Habana one of the most adequate means of transportation was cruelly and

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mercilessly sabotaged, acting rulers as well as labourers in a concubinage almost vandalic and completely dreadful in order to reach such a deplorable object. They got rid of the entrepreneur and citizenship was left abandoned to the intrepidity and indifference of the ones called to serve it. This point was stressed in several accusatory phrases on the first page of last night "Avance." It is imperative that we must completely banish this concept by means of an educative task illustrated by the example of all the nations, of free enterprise, of the world, on which not only to obtain reasonable profits is not considered a crime, but it is being fixed the basic concept that the cause of profits is a fundamental motive upon which all citizen activities are based on. In Cuba this fundamental concept of the principal cause of the economy is very mangled and if there is not a change on this aspect all efforts that might be done will be discouraged, no matter by whom it is done.

Labour Situation.- This title can be divided in 1.) Labour efficiency and 2.-) Unsteadiness, inaccuracy and lack of a definite orientation on the legislation and regulation on labour matter.

Labour Efficiency.- Since many years, Cuban industries have been insisting that although the capacity and intelligence of the Cuban worker, his efficiency and productivity are extraordinarily inferior to that of the principal competitor countries. Today, in effect salary rates in the main Cuban industries are very little inferior to the ones of the North American factories and much higher to the ones of the rest of the world, but if one adds the equivalent of social benefits, such as weekly average, month of facations, 9 days sick leave, regular holidays with compulsory payment, the Cuban wage results are as high as the American labourer. Now, if we take into consideration the productivity and efficiency of the Cuban labourer, which are at times less than half of that of the foreign labourer, not because of lack of capacity but of syndical action, we have to arrive at a forceful conclusion that cost of labour in Cuba is in many cases more than double than the nations competting with U.S.

On the other hand, it should be borne in mind that in almost all these competetive countries productivity by man-hour has been in continous rise, being the reason, naturally, the only way that an industry can be preserved and developed. In Cuba, however while wages have been rising substantially year after year, the yield and productivity of labour except in many seldom cases, also for syndical action has been maintained static or has diminished. You all know that the main difficulty with which an entrepreneur is faced with is to obtain an adequate productivity in the impossibility of separating any labour whose work stands out because of its a inefficiency or negligence.

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Some times a very peculiar case happens in that the labourers, perform acceptable tasks within the six months trial term, but once they are permanent, their efficiency and productivity diminish considerably because they consider themselves totally immovable. If we add to the above the slowness, lack of discipline, damage to machinery, and the feeling of counting not only with a protective shield of immunity against the reactionary patron, bu-t of complete impunity enjoyed today by the presumptious Cuban proletarian; it is easy to understand that it is imperative to take fast and effective action in order to correct this situation, otherwise the industrialization of Cuba is condemned to its total disappearance for lack of one element expressed by one word, confidence.

As a remedy we can point out the implantation of an immediate compensated dismissal, such as exists in other countries of undoubtful progess in the social field. We do not back the return to the system of conceited dismissal leaving completely uncovered the worker, but it should be to the reach of the patronto separate himself from intolerable bonds, and while the worker does have to account to his patron, (something that been going on a long time), the first indispensable step shall have not been given for the restoration of an atmosphere of confidence.

2) XXXXXX Instability, inecurracy and lack of definite orientation in the legislation and regulations on labour matters. It is not necessary to get too deep into this matter since we have already been able to appreciat on different ocassions how the policy and opinion of the Department of Labour changes according to the political affiliation, origin and electoral ambitions of the Minister in office. A radical change is imperative in these procedures by means of the issuing of a Labour Code and additional legislation, together with the establishment of Labour Courts, with the organization, privileges and competence that the most preeminent colectivities of the industry and commerce have been requesting; still more indispensable that precedes, due to our political characteristics, is inconceivable that no ruler involves himself in such a neuralgic matter to the unremovable official that an imperative regulation in this matter be established on the first opportunity by a constitutional reform in order that a Minister of Labour, once he has left his position he may continue to be elligible for any sort of citizen activities, but he would not be able to run, enither to be taken as candidate to any electoral position for a period of six years from the date he left that position. The neatness of this regulation would be obvious, considering that Cuba has suffered many times from ministerial regulations in social matters with the most serious implicational impacts for the economic future of the nation. It is obvious to the people for this reason that the transient Secretary of Labour had his ambitions on a senatorial curul or at least on the Representative chair.

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Instability and disorderliness in fiscal matters.- Cuba has characterized herself with a lack of definite guidance and evasion in fiscal matters. It is very difficult to establish an industry without having a relative sureness that the taxation will not be subject to an increase or substantital alteration in the near future, otherwise the enterprise would find itself in an adverse situation, from its inception of operations, to the finishing of the building phase and machinery installation, and higher taxes than the ones already taken into consideration for proyecting and financing the business,will ensue. The taxation capacity of any determined country is in direct connection with national income; and with this I am saying nothing new. Any provision for fiscal matters issued without knowledge or against this irrefutable truth, may bring serious disturbances to all sectors that form the social community. To this respect I would like to mention here figures published last week by the Constitutional Federation for Property and the Free Enterprise, seems to indicate that the percentage of taxation pressure on inhabitant living is higher in Cuba than in the U.S.A. for each inhabitant, a net income of $1923.00 in the U.S. and only $335.00 in & Cuba. In this respect it is to be noted that Cuba, who, not long ago had a modest tax system has been raising taxes until they are today factors of major importance. Therefore, it is evident that Cuba is in need of a fiscal policy with definite orientation based on the norms of economic matter which must serve as a basis to the public finances.

Lack of definite orientation on economic matter.- It is common in Cuba and also in the other countries, that the new governments immediately after their instauration, change the general economic policy that the preceding government was carring on. It is not unusual either that within the same government there might be opinions and opposite tendencies on this matter applied by their principal personalities. This is true specially on the international field, as we have had the opportunity to see it recently, it seems that the purpose of changing the policy of international agreements of commerce have been manifested endangering substantial advantages gained by Cuba in the international field.

Noted and sudden alternatives on the economical situation of the country because of its exclusively great dependence on sugar industry.

Too much has been spoken and written on this matter. We think that the sugar industrialists are convinced of this truth and it is undoubtful that some of them are colaborating in order to remedy this situation that requires, naturally, the effective cooperation of the State in all its different phases. If all or most of the difficulties I am pointing out in this speech were eliminated, it is undoubtful that a great advancement will be given toward the industrial diversification of Cuba,

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automatically causing the disapperance of the imperfection that I indicate under this title, that is, almost the entire dependence on the sugar industry in its present manner. Recognition should be given to the efforts that some of the most well known and illustrated farmers are doing in order to diversify their activitids. I have in mind men such as Jorge Braga and Alfonso Tangul that are encouraging the cultivation and industrialization of Kenaf, men as Jorge Barroso and Alejandro Suero Falla that on behalf of the vast interests of Tarafa and Falla and together with "Compania Rayonera Cubana" have been doing a careful and scientific survey of the possibilities of a greater and more fructiferous usefulness of the remainders of the sugar cane.

Lack of knowledge or experience on the part of the public officials.- It is not unusual, in Cuba, to see some officials of the government dealing or solving matters of extraordinary importance for the commercial or industrial enterprises with a complete ignorance of the matter in question and in other cases making use of amateur opinions or respectable theories, but not backed by sufficient experience on the practice. Therefore, it would be very convenient for the Ministrys and officials who take care of these matters and whose decisions might result in transcendency to the success and survivorship of enterprises, should have, in all cases, the tactical knowledge and practical experience necessary in order to solve properly the different problems that appear every day in the relations of the diverse departments of the State with the commercial and industrial entities.

Lack of an adequate custom-house policy guided toward the industrialization of the country. Custom duty is one of the more efficient means with which a ruler counts in order to encourage and protect the development and diversification of industries. Nevertheless, with very few exceptions, the steps given in that direction have been limited, dispersed and lack very definite orientation till now. Although Cuba conforms the General Agreement on custom duties and commerce which restrains its possibilities in the mentioned particulars, she can still perform a very coordinated custom policy that could facilitate, by means of an adequate protection, the implantation and development of a great number of industries.

Absence of adequate means of cheap credit.- It is a well known fact that the industrialists have always had great difficulty in obtaining facilities for credit on long terms and with modic interest, in order to foment their power-plants as well as to enlarge of modernize them.

The foundation of the Banfaic Bank gave good hopes to the industrial class and we hope once the usual problems of organizing and training the personnel of and institution of this kind have been solved that the Banfaic will be able to help intensively in the creation and development of new enterprises. For this it is essential that the

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interest rate be lowered, making the relations between the entrepreneur and the Bank more attractive, in this way the bank will increase the number and amount of its loans and in consequence its income with which it will be in condition to cover its operation, even if it charges a lower interest rate. Difficulties I have enumerated and briefly analyzed do not atrract too much the industrial investment by the Cuban industrialists, who generally look for less risk means in Cuba or abroad. In the case of foreign capital it is doubtful that it will seek investments in Cuba, unless this country offers a picture of the general fiscal, labour, political and economic conditions more favorably than the ones prevailing in its country of origin or in other countries, otherwise this capital has not a chance at all to migrate to Cuba.

I reiterate my most firm conviction that Cuba is on its way to a betterfuture and that the united efforts of the ones principally interested will get them very far in obtaining a more atrractive atmosphere toward the industrial inversion on which interest "Asociacion Nacional de Industriales de Cuba" have always stood out as the very first ones. As a proof of the advancements done in this particular, once more I mention the foundation of Banfaic Bank and as a demonstration of what the representative entities of the commercial and industrial field can obtain I can mention two recent cases: in the first place, the struggle during several years fought by "Asociacion Nacional de Textileros de Cuba" in order to obtain custom protection for their products, culminating with the Torquay Agreement. This moment, in no way, can be catalogued as an easy task, as you all recall the coordinated and continuous effort of the effected industry and comprenhension and help on the part of the rulers was required in order to reach the goal. More recently we have the example of the struggle for the reprehension of contraband causing such serious damages not only to the textile industry but to other very respectable sectors of the commerce legitimately established too, and, naturally, to the National treasury.

After several years of constant labour and great efforts on the part of the textile industry, and with the efficient colaboration of said responsible sectors of the established business and with the help and enthusiastic assistance on the part of the Secretaries of Commerce and Treasury, it is becoming possible for the creation of a Committee for the reprehension of contraband formed by persons that we considered with the necessary capacity, experience, experience and honestyness. Also the promulgation of a series of legal regulations that we hope will restrain all or most of the practices of clandestine or frauduient income of merchandises in our country; with the certitude that if this object is not reached a collapse on the public recaudation with its inevitable consequences of confusion and instability will be produced in the moment in which the State will not be able to take

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care of the situation, and in the second place the bahishment of all possibility of new intents of industrialization since there would not be a solid basis for it. These two examples and possible alternatives must serve a sufficient motive to all those who in one field or another are fighting for a greater social and economic welfare of Cuba which requires as a fundamental basis the encouragement and development of industries.

Let's fight for a cause that would benefit all and harm nobody.

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